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ABSTRACT

This syllabus for a one-semester course in economics for high school seniors focuses on six topics: 1) The Nature of Economic Understanding; 2) The Market System; 3) The Role of Government; 4) Economic Growth and Stability; 5) The United States Economy in the World; and 6) Comparative Economic Systems. A general overview presents a rationale for the course. This is followed by the main body of the guide: understandings and related content. For each topic, optional special studies, designed as case studies or models, are suggested. A tentative flow chart of the social studies program (K-12) in New York State is included. (SHM)

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SO

Social Studies

GRADE 12: ADVANCED ECONOMICS

SO 005 899

THE UNIVERSITY OF THE STATE OF NEW YORK / THE STATE EDUCATION DEPARTMENT
BUREAU OF SECONDARY CURRICULUM DEVELOPMENT / ALBANY

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University of the State of New York/The State Education Department
Bureau of Secondary Curriculum Development/Albany, 1966

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SOCIAL STUDIES

GRADE 12 - ADVANCED ECONOMICS
(One Semester)

1973 REPRINT

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SPECIAL ACKNOWLEDGMENT

The Ad Hoc Committee and the Professional Committee, whose members are listed below, contributed those overall recommendations which indicated some of the directions that the new social studies program should take.

A number of classroom teachers and supervisors, working under the direction of staff members of the Education Department, made the final decisions concerning the content and format of this syllabus and of the other three syllabuses in the secondary school series. They also produced the basic materials that constitute the courses of study for each level.

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FOREWORD

Advanced Economics, a one-semester course for the 12th grade, has been prepared in response to requests from many school officials throughout the State for such an elective. Their requests reflect a growing concern over the apparent inability of the average citizen to understand the complexities of our economic system. This concern is not limited to the citizens of New York. In 1961, the National Task Force on Economic Education, a committee of eminent economists and educators, issued a noteworthy report deploring the quality of instruction of economics, recommending improvements in that instruction, and recommending that all high schools offer such a course in economics in the senior year of the high school program.

This bulletin, giving the basic understandings and content for a 12th grade one-semester course in Advanced Economics, is a preliminary draft. It is being tried out officially in selected schools which will report to the Department concerning its usefulness in the classroom. Any school is, of course, invited, even urged, to try out the syllabus and to send in reactions. The purpose of the selective official tryouts is to insure a valid sampling from different types of schools. Reactions from the schools will be used in revision of the definitive syllabus and of the handbook *Teaching Economics* which contains teaching suggestions in handling economics topics.

As is spelled out in greater detail in the introduction, this syllabus delineates a course of studies advanced in scope beyond the economics emphasis found in the syllabuses for Social Studies 7-8, 9-10, and 11. The economic understandings were formulated by the writers to build upon those understandings in the previous courses in the social studies sequence.

This bulletin is a part of a series of publications intended to effect a revolution in social studies education in the secondary school program. It is a part of the redirection just as urgently needed in the social studies, as it was in mathematics, science, and the modern languages.

Like the previously issued bulletins in the sequence, this bulletin attempts to focus upon learning principles long known, but often ignored. We have known that understandings and concepts are built up out of particular concrete details, and are made deeper and stronger through additional experiences that repeatedly involve these same understandings and concepts. We have acknowledged that pupils learn by doing, that they remember best what they discover for themselves, internalize, and then by conscious thought or intuition apply in new contexts. By neglecting to apply this knowledge, we have let the social studies in general and economics in particular, become the least vital, least challenging subjects in the curriculum.

The writers have tried to incorporate the methodology of the discipline into understandings and related content, in order to carry forward this revolution. The use of the analytic approach, rather than just the descriptive, the inclusion of economic models in both the general and the optional topics, and the presentation of both the theoretical and the actual functionings of the market all give the pupil an opportunity to develop greater

facility in economic reasoning. As much as possible, value judgment is omitted from the text; instead, the opportunity is given to view policies in the perspective of contemporary social and political trends, in order to build an understanding of the why as well as the how of government and private enterprise operations. As much as possible, economic phenomena are viewed in an open-ended sense, to preserve the drama of pupil involvement in the dynamic situation of the American economy. In addition, a degree of flexibility in terms of pupil abilities has been built in by the inclusion of optional advanced topics, printed in italics to distinguish them from the rest, which make it possible to teach a more sophisticated course in situations which warrant such a procedure.

It is impossible to give individual acknowledgement to all who have, directly or indirectly, made a contribution to this bulletin. Credit should go to the formal committees who played a part in the general social studies revision — the ad hoc committee of scholars who met in Albany in 1962 and pointed new directions; and the professional committee of teachers, supervisors, and department chairmen who met in 1963 and made specific recommendations based upon the ad hoc report.

An integral part in shaping this course was played by the Advanced Economics Advisory Committee which met in November 1965 and again in May 1966:

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The major work of writing this syllabus was done during the summer of 1966 by Edward J. Schulman, teacher of economics and social studies, Jamesville-DeWitt High School; and Edward Schweikhardt, Social Studies Department Chairman, Nyack High School. First draft materials were also prepared by William B. Hemmer, Curriculum Intern from State University of Albany 1965-1966, and social studies teacher at Queensbury High School.

With the assistance of Professor Sayre, a committee of economics teachers attending the workshop at the State University at Albany in August 1966, made an exhaustive review of the syllabus draft. Members of this review committee included: Truman Beckley Brown, Amherst Central High School; Alphonse L. Liquori, Great Neck North High School; Miss Helen P. Maney, Geneva High School; Ira Marienhoff, High School of Music and Art,

New York City; and Edward J. Schulman, Jamesville-DeWitt High School, a member of the writing team. In addition, the manuscript was carefully reviewed by Dr. Edwin J. Holstein, Rensselaer Polytechnic Institute, who had served on the Advisory Committee.

Mildred F. McChesney, Chief, Bureau of Social Studies Education, served as advisor throughout the preparation of this publication. Major assistance was given by the Associates in the Bureau of Social Studies Education, John F. Dority, Catherine M. Firman, Jacob I. Hotchkiss, Betty D. Larsen, and Helena U. Whitaker. Dr. Janet M. Gilbert, Associate in Secondary Curriculum, had general charge of the project and prepared the manuscript for printing.

GORDON E. VAN HOOFT
Director, Division of
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INTRODUCTION

This one-semester 12th-grade course, Advanced Economics, is intended to give students an opportunity to examine economics topics in some depth, applying the analytic techniques of the discipline. An attempt has been made to give the course some flexibility with respect to the abilities and previous preparation of students as well as to the resources available in the school.

The title, Advanced Economics, does not imply that this is a college level course, but it serves to indicate the positioning of the course in relation to the economic understandings in the mandated K-11 sequence. In no sense is it intended to substitute for the economic topics that are included in the 11th grade American History course, or to remedy a local social studies program which has been deficient in the attention given to this important discipline at lower grade levels. To list the course simply as Economics might presuppose such a substitution, a direction which would weaken the revised K-11 social studies program.

In this syllabus, recognition is given of the economic ramifications of the entire social studies curriculum. Necessarily, one will find in this syllabus economic concepts included in the earlier courses of study; their inclusion here, however, is foundational to the more sophisticated understandings that characterize the 12th-grade course.

Illustrative of this sequential process is the development of the concept of capital formation. Capital formation is first introduced as a concept in grade 5 to help explain economic organization characteristic of cultures in the Western Hemisphere today. At grade 7, the trading company as the economic vehicle for exploration and colonization, the pressures for greater capital accumulation in the Gilded Age, and the financial concentration in the megalopolis all require reexamination of the concept of capital formation. In grade 8, frequent references to it are found at the different stages of economic growth in the United States. Crucial economic problems of the 20th century in Asia and Africa relate to the sources of capital formation. In the 11th grade, an entire topic devoted to American economic life provides opportunity to expand this same concept, emphasizing the changes which have taken place within the framework of American History.

To complete the understandings associated with this concept, consideration is given in this syllabus to the relationship of capital formation under the corporate structure to the operation of the market system. This includes an examination of the situation in which perfect competition obtains, as well as the circumstances under which monopolistic tendencies exist. An evaluation of the strengths and weaknesses of the corporate structure as it now exists, both in terms of the investor and of the consumer, is intended to produce an understanding of the attempts by government to limit or restrict capitalistic excesses. It also provides opportunity for consideration of the role of government in the economy. For instance, the Securities and Exchange Commission acquires a meaning or significance not encompassed in the historic context of the New Deal reforms.

SCOPE

Teaching experience of the writers of this syllabus has governed the arrangement of the understandings and content within the topics that comprise this course. An introductory topic, describing the nature of economic understandings, poses the three basic economic questions confronting any society. Opportunity is then afforded for the examination of the writings of "worldly philosophers," particularly in regard to the problems of scarcity and the satisfaction of wants. Topics II and III delineate the operations of the market system in terms of the ideal as well as its real structure and function. In the latter case, the role of government in the economy is introduced.

Topic IV deals with economic growth and stability. Topics V and VI, focusing attention upon international aspects of economics, project the interaction of national economies upon each other. In addition, they examine the different ways in which nations or peoples have attempted to answer the basic economic questions.

FORMAT

Like the other syllabuses in the current secondary social studies sequence, this bulletin was designed in format to provide, not outlines of content to be "covered," but points of view and major ideas as guides for developing teaching plans. A general overview presents a rationale for the course. This is followed by the main body of the syllabus: understandings and related content. For each topic, optional special studies are suggested. These studies, inherent in the topic, are designed as case studies or models, whose illuminating details should add interest and promote real understanding. These optional special studies will interest some, but not all, classes or individual students.

The format of the main body of the syllabus was adopted in order to encourage teachers to devise and use those teaching methods by which pupils are motivated to work with study materials in such ways that the pupils themselves discover the desired understandings.

The understandings have been carefully selected and worded with these criteria in mind:

- Each understanding should be important to itself and should have specific reference to the topic.
- Each understanding should contribute to a broader generalization that has application at many points in the social studies sequence.
- Each understanding should include words, or phrases, that bring to mind mental images or concepts. (These images, or concepts, which constitute the specialized vocabulary of the social sciences, will acquire broader and deeper meanings as pupils meet them at successive grade levels in increasingly sophisticated contexts.)

To illustrate the application of these criteria, we may use an understanding from the Advanced Economics syllabus:

"The American economy has been characterized by periodic fluctuations in levels of employment, income, production, and prices."

This, in the judgment of the syllabus committee, is an important understanding. It has specific references to a given topic Growth and Stability. It contributes to broader generalizations, such as the statement, "Most private enterprise economies have, in the past, been afflicted with some degree of economic instability." The broader generalization has had previous applications, and could with modifications be applicable to world conditions today. As for the mental images or concepts that appear in this understanding, "economic instability" and "business cycle" both are important. By the end of the 11th year, pupils will probably have met these terms in other contexts. The study here should give new depth and dimension to the concepts or mental images which the terms represent.

The related content following each understanding, like the understandings, has been carefully chosen for intrinsic importance and for its potential in helping pupils arrive at the understandings. In deciding how much detail to include, the syllabus writers have tried to be practical, giving rather sketchy treatment to material easily found by pupils and teachers, and spelling out more fully less familiar or hard-to-find material.

It should be remembered that economics represents not merely a body of knowledge but also a language, a way of describing and of analyzing issues and conditions. It requires the application of analytic skills. The economic models suggested, and others the teacher may find applicable, should be used as vehicles for developing understandings.

Teachers should note the inclusion of certain advanced material printed in italics. These topics are optional, intended for use with pupils of considerable ability or with sufficient economic sophistication to permit investment of time on these, rather than in some of the more elementary topics. The different format for these topics should also be noted. The italicized statements represent understandings important in the development of these optional topics. Teachers using them will find it necessary to identify appropriate content, including economic models and other similar data, which lead to these understandings.

Finally, it should be remembered that this is a course involving people. It is a study of the choices man faces in trying to satisfy his wants. Economic knowledge and proficiency in analytic processes are necessary if wise popular decisions are to be expected.

TENTATIVE

FLOW CHART

OF THE

SOCIAL STUDIES

PROGRAM

Kindergarten

Local Environment Studies

Social Organization
- The family
- The school

Economic Organization
- The family as a consuming unit
- Family jobs and responsibilities - division of labor

Political Organization
- Rules and laws to be observed for the good of all

Geography
- Introduction to the globe as a representation of the earth
- Introduction to maps through block and picture maps of classrooms
- Cardinal directions

Patriotism
- Pledge of Allegiance
- Celebrating holidays and festivals

Grade 1

Local Environment Studies

Social Organization

- Family life long ago in an agrarian economy
- Family life today on farms
- Schools long ago and today
- Villages and cities today - families, houses, neighborhood facilities and organizations such as churches, libraries, etc.

Economic Organization

- Partially self-contained farms of long ago when most people lived on farms
- Farming today near local community- mechanized, specialized, commercial
- Division of labor in providing needed services
- Economic services provided by village, city, and suburban, and neighborhood - stores and businesses

Political Organization

- Rules and laws to be observed for common good
- Introduction to the idea of democracy - the president and his election

Geography

- The globe as a model of the earth which shows land and water masses
- Geographic features of neighborhood - Picture and block maps showing streets, houses, buildings, streams, etc.

Patriotism

- The Pledge of Allegiance
- The Star Spangled Banner
- The Story of our Flag
- Celebrating holidays and festivals

Grade 2

Community Studies

Social Organization

- Defining or limiting the community to be studied
- Social and ethnic groups in the community
- Religious groups in the community
- Other community organizations such as service clubs

Economic Organization

- Industries in the community
- The profit motive in industry
- Transportation and communication in the community
- Local business and industry as employers

Political Organization

- Type of local government which applies - county, city, village, township, etc.
- Needed services (fire, police, roads) provided by local government

Geography

- The hemispheres into which we divide the earth
- Location of the local area on the globe
- Introduction to lines representing latitude and longitude
- School, neighborhood, and community maps
- Road maps of the local area

Patriotism

- Pledge of Allegiance
- The Star Spangled Banner
- The Study of the Flag and flag symbolism
- Celebrating holidays and festivals

Grade 3

Community Studies

Geographic Introduction

- The equator circles the center of the earth and distances north and south of this line are indicated by lines of latitude
- A relationship exists between latitude and climate
- There are low latitudes, middle latitudes, and high latitudes

Desert Communities

- Typical climatic conditions
- Economic and social organization
- Political organization

Northern Forest or Taiga Communities

- Typical climatic conditions
- Location of taiga areas
- Economic and social organization

Tropical Rainforest Communities

- Typical climatic conditions
- Location of rainforest areas
- Economic and social organization

Mountain Communities

- Climatic and geographic factors
- Location of mountain areas
- Economic and social organization

Prairie Farming Communities

- Climatic and geographic factors
- Location of major prairie lands
- Economic and social organization

Patriotism

- The Pledge of Allegiance
- The Star Spangled Banner & its story
- Rights and responsibilities in a democracy
- Flag symbolism - care and respect for flag
- Celebrating holidays and festivals

Grade 4

American People and Leaders

The People of the United States

- The U. S. was largely peopled by immigrants from other lands
- Among others, the following have made large contributions to Americal life: African Negroes - Irish - Germans - Scandanavians,- Italians - Poles - and many others

Discoverers and Explorers

- Christopher Columbus, Henry Hudson, Robert La Salle, and/or others

Colonial and Revolutionary Leaders

- John Smith, Roger Williams, Sam Adams, Ben Franklin, and/or others

Leaders in Establishing a Nation

- James Madison, George Washington, Thomas Jefferson, Alexander Hamilton, and/or others

Leaders in the Fight for Human Rights

- Thomas Paine, Abraham Lincoln, Martin Luther King, Jacob Riis, Franklin D. Roosevelt, and/or others

Leaders in Industry and Science

- Eli Whitney, Robert Fulton, Cyrus McCormick, Thomas Edison, George Washington Carver, Henry Ford, and/or others

Leaders in the Arts

- Henry Wadsworth Longfellow, Edgar Allan Poe, Stephen Foster, Edward McDowell, W. C. Handy, and/or others

Patriotism

- The total program of this year is aimed at building partiotism
- Celebrate the usual holidays and festivals

Grade 5

Major Culture Regions (Western Hemisphere)

Geographic Introduction

- Latitude and longitude of areas in the Western Hemisphere
- Climatic regions of Western Hemisphere
- Major topographical features of Western Hemisphere
- Special purpose maps useful in area studies such as demographic, rainfall, climate, and others

Historical Introduction

- A short survey of the major events in the story of the Western Hemisphere

The United States

- Geographic overview including major land forms, drainage systems, climatic variance, population patterns, etc.
- Social organization, including such things as major religious groups, urban and suburban areas, and racial and ethnic groups in our population
- Economic organization, including division of labor and specialization, major industries and resources, the profit motive in our economy, and introduction to the concept of gross national product
- Political organization, including introduction to the federal system, the three branches of the federal government and their major functions

Patriotic citizenship, with special emphasis on rights and responsibilities, the Bill of Rights, and the extension of civil rights to the total population. Celebrate the usual holidays and festivals

Canada and Latin America

Interdisciplinary studies organized under the following headings:

Geographic Overview
Social Organization
Economic Organization
Political Organization

Grade 6

Major Culture Regions (Middle East, Europe)

Geographic Introduction

- Latitude and longitude of the Middle East and Europe
- Climatic regions of the above areas
- Major topographical features
- Special purpose maps of the areas to be studied (see grade 5)

The Middle East

- Interdisciplinary studies organized under the following headings:

Geographic Overview - which would include major land forms, river systems, climatic conditions, population distribution, patterns of land use

Historical Summary - which would include the beginnings of civilization in the Fertile Crescent, the rise of Egyptian and Babylonian empires, their contributions to modern life, the rise and spread of Islam, the decline of Middle East power, and highlights of the modern period

Social Organization - which would include family life, urban and rural differences, the influence of Islamic beliefs and culture patterns, nomadic and settled peoples, racial and ethnic patterns

Economic Organization - which would include the prevalence of agriculture, patterns of land ownership, the importance of petroleum, the lack of industry

Political Organization - which would include the identities of the various countries, the general lack of stability, the general lack of democratic institutions, and the forms of government to be found in the area

Western Europe and Eastern Europe

Interdisciplinary studies organized under same headings as above

Grade 7

Our Cultural Heritage

The pre-Columbian period
- -Western Hemisphere geographic review: landforms; soils; minerals; climate; vegetation
- -Indians of the New World
- -The New York Indian: Iroquois as model

New World exploration and settlement
- -Influence of geographic setting
- -European exploration and settlement: leaders and people; motives and cultures
- -Planting the 13 English colonies
- -The American Southwest

The colonial period in the Americas
- -Wide variations in length of the colonial period
- -Physical and economic changes in the environment
- -Colonial cultural patterns: family; religions; languages; social class
- -Evolving political institutions
- -Spanish, French, Dutch and English colonies compared

New York in the emerging nation
- -Modifying the habitat and moving west
- -Changes in economic life: land ownership; agricultural changes; handicraft and industrial development; trade
- -Population trends; contributions of various groups
- -Progress of democracy in the new State

New York in the age of homespun
- -Habitat: challenge and response
- -People: roles in homespun rural society; in growing urban areas
- -Culture change: education; literature; religion; humanitarian reform
- -Governmental changes: suffrage and other reforms
- -Post-frontier, pre-industrial society
- -Historic trends to the Civil War

New York in the gilded age (to about 1915)
- -Geographic changes: railroad era; farm mechanization; industrial development; end of the frontier
- -Business expansion; wealth and poverty; labor strife
- -City growth; waves of immigration; city problems, especially in New York City; Victorian homes, customs, values

New York in a megalopolis society
- -"Between the wars," the transition era
- -Changes in the landscape: influence of automobiles; urban decay; suburban sprawl; changes in rural living
- -Mass production: big business, with decentralized production units
- -Features of a new culture

Local and State government and civic responsibility
- -Structure and functions
- -Local, State and national interrelationships
- -Practical politics; civic rights and duties
- -The changing character of State and local governments

Grade 8

United States History

The new Nation (to 1800)
- -Gaining independence; principles of the Declaration
- -Making and launching the Constitution: the framers, their wisdom and experience; the democratic heritage; framework and functions of the new government
- -The Federalist era: test of the new Nation

The National-Republican period (1800-1825)
- -Acquiring and exploring new territories
- -Changes in the landscape; urban centers in a rural society
- -Presidential policies in domestic and foreign affairs
- -Economic and industrial changes
- -Foreign crises and wars
- -National trends following the War of 1812; tariff; westward migration; Era of Good Feeling

The age of Jackson (1825-1840's)
- -Political and social changes: reforms; writers; progress of democracy
- -Territorial growth: the homespun culture moving west; population trends

Division and reunion (1850's-1880)
- -Characteristic features of life in various regions
- -Civil War: leaders and significance
- -Achievements and problems of reconstruction governments; unsolved problems in North-South relations and in goals for the Negro: origins of 20th-century human rights revolution

Economic expansion (1865-1900)
- -Industrial and business expansion: a new age of invention; rise of new industries; building of great fortunes
- -Political trends: civil service and other reforms; policies toward business
- -Changes in living: small town and rural life; the western frontier; the growing cities
- -New immigrants; labor conditions

United States a world power (1900-1940)
- -Changes of the Progressive Era
- -World War I and the peace movement
- -Boom, depression, and the New Deal
- -Foreign policies and moves toward war

United States a world leader (1940-present)
- -World War II, peace and the Cold War
- -United Nation: regional blocs and alliances
- -Conflicts, including those in Korea, Cuba, Viet Nam
- -Domestic programs from Fair Deal to Great Society

The Federal Government and civic responsibility
- -Structure and functions of the Federal Government
- -Government and politics; Federal-State relations
- -Political and civic rights and duties of the individual United States citizen

Grade 9

Asian and African Culture Studies

(World Regional Studies)

World cultures today

- -Review of identifying culture patterns
- -Major world culture regions; interaction of man and his environment
- -Culture change, illustrated by review of the Islamic World as introduction to Africa and Asia

Africa south of the Sahara: land and people

- -Major regions: geographic assets, limitations and variations
- -African peoples: ethnic patterns; social organization; cultural achievements

Africa south of the Sahara: historic trends

- -Historical background: medieval civilizations and kingdoms
- -Effects of European colonial expansion; rise of African nationalism
- -The new nations: leaders, problems and progress
- -World role of the new Africa

South Asia: India and Pakistan

- -Physical features; effects of geographic diversity
- -Historical background: special influence of religion
- -British rule and struggles for independence; political structure today; involvement in world issues
- -Economic and social problems; village and urban life; adaptations to change
- -Cultural trends and achievements

China

- -Geographic diversity; interaction of man and environment
- -Development of traditional ways: family; education; religion; culture patterns
- -History: ages of power and cultural achievement; repeated alien invasions
- -Domestic and foreign pressures of 19th and 20th centuries; response to those pressures
- -China under communism: changes within the nation, China, a world problem

Japan

- -Geographic influences on life in the islands
- -Development of cultural traditions; interactions with Chinese culture
- -History: imperial and military traditions; modernization; struggle for world power status
- -Changes in life and thought since World War II

Southeast Asia

- -Physical features of continental and insular areas
- -Culture patterns; similarities and differences; influences from India and China
- -Historic survey: impact of the West; new nations; leaders; governments, ideologies
- -Life of the people: impact of "revolution of rising expectations"
- -Southeast Asian problems as world problems

Grade 10

European Culture Studies

Europe today

- -Europe in flux: population changes; economic shifts; political issues
- -Role of values in European culture

The ancient European world

- -Society's needs versus individual expression: Sparta and Athens
- -International expansion: the Roman Empire
- -The Judaeo-Christian heritage
- -Role of the city

The Middle Ages

- -The Church
- -Economic institutions
- -Role of the city

The age of transition

- -The Renaissance: intellectual and cultural characteristics; political life
- -The Reformation: leadership; far-reaching implications
- -The rise of nation-states governed by monarchy
- -The Commercial Revolution: expansion of business; development of the market economy and capitalism

Modern movements of intellectual change

- -Scientific thought in the enlightenment; present day implications of scientific and technological advance
- -Shift from classicism to romanticism, to realism in the arts and letters

Modern movements of political change

- -Evolution as political change: the development of modern British political practices
- -Revolution as political change
- -Nationalism, a key to political change: interpretations; leadership; effects upon international relationships; the role of war as a solution to national rivalries

Modern movements of economic change

- -Industrialization: effects upon technology, culture patterns, economic organization
- -Socialism in Europe: theory; the Soviet experiment; developments in Western Europe

Modern attempts to resolve fundamental problems

- -Challenge of totalitarianism: the Nazi movement
- -Attempts to guarantee peace: balance of power; international cooperation; appeasement; containment
- -Western man and his urban culture

Grade 11

American History
(American Studies)

The American people

-Immigration and reaction to immigrants; development of nativist opposition
-American culture patterns: adaptations from Europe; present diversity
-Population: growth; division into various groups
-Civil Rights: history of movement with respect to minority groups, womens' rights; Black leadership; future directions

Government and politics

-Constitutional theory and practice: reflection of western tradition and experience; provisions for political stability; adaptability to changing times
-Political leadership and decision-making: the American presidency; the Congress; judicial review
-The federal-state relationship: increasing role of federal government; growing cooperation between neighboring political units
-Citizen relationship to government: political parties; citizen involvement in various levels of government
-New York State government: the State Constitution; the Governor; the Legislature; the Courts

American economic life

-The economy: scarcity; the market economy and the basic economic questions; opportunity cost
-Mercantile capitalism: the colonial experience
-Industrial capitalism: economic effects of the American Revolution; economic implications of westward expansion
-Finance capitalism: industrial growth; demands for government regulation
-Government involvement: implications of the New Deal era; use of federal regulatory powers today
-Government finance: history of taxation in United States

American civilization in historic perspective

-Education: historic growth of public education; variety in relationship of education to democratic values
-Creativity in America: European heritage versus native adaptations; recent innovative directions in science, technology, the arts; patronage and support
-Mass media: impact of the free press upon American society
-Ideological battles in critical periods in American history; challenge of communism
-Social control: changing interpretations throughout our history; relationship to value system; balance between freedom and restraint

The United States in world affairs

-The nation-state
-The emerging nation: minimum involvement yet protection of the western hemisphere
-The expanding nation: manifest destiny; overseas empire-building
-Power and commitment: 20th century movement from neutrality to full involvement in world affairs; containment of communism; participation in world organization

Grade 12

Specialized Courses

Economics *Government*

State courses will be developed first in these two highly important areas. The courses will be built upon the foundations laid in economics and government in the K-11 sequence. Other suggested courses are:

African Studies	Latin American Studies
Anthropology	Middle Eastern Studies
Ancient History	Psychology
Asian Studies	Sociology
Great Issues	

It is strongly recommended that all pupils be encouraged to take social studies in grade 12. Twelfth grade offerings should be varied in terms of particular pupil interests and needs.

Slower students may require all or part of their 12th year to complete the regular sequence that the average and above average may complete by the end of grade 11. These slower students also profit from senior elective courses especially designed to meet their personal and vocational needs and to help them prepare to fulfill their civic responsibilities.

Abler students may be offered advanced or honors courses, perhaps in one or more of the categories listed above.

Advanced Placement American History or Advanced Placement European History may be offered to particularly able students in grades 11 and/or 12, along with honors courses in electives such as those listed. If Advanced Placement European History is scheduled, the regular 10-11 sequence (The Western Heritage and American History) may be reversed.

TOPIC I
THE NATURE OF ECONOMIC UNDERSTANDING

This topic serves to introduce the pupil to the world of economics. In a sense it is the keystone to the entire course, for upon the tone set here will depend the degree of enthusiasm that will develop and the amount of intellectual excitement generated. This topic will enable the teacher to make relevant the associations so indispensable to making economics come alive in the classroom.

Topic I surveys and touches upon all the other areas in the syllabus. It is here that the analytic tools are introduced, groundwork is laid for the techniques of model building, the basic economic vocabulary is reviewed and expanded. The rational, critical approach to economic reasoning is emphasized with particular stress on the scientific method of inquiry.

The central economic problem that has always plagued man is exposed, and hopefully examined. We learn that the economic drives which lead nations to their destinies today also led Carthage to destruction. Indeed, the process of want satisfaction coupled with the presence of resource scarcity is here viewed in the light of historical events, of current societal pressures, or of one's own domestic problems.

In any event, the fundamental economic questions must be answered as they have always been answered, in terms of the objectives of each society. The Bushmen of the Kalahari Desert no less than the planners in the Kremlin seek answers to the same questions: What do we need? How do we get it?

In this topic, the role of the productive factors is seen without reference to money, lest money veil the real nature of the economic processes. In later topics, the usefulness of money in exchange and distribution will be considered; presently the pupil must think of capital in terms of machines and tools, of investment in terms of producing those tools.

Similarly, the relationship of income to output is reduced to real terms. Income is the other side of the coin of production: one's real income is not how much money is earned, but one's share of the national productive pie. We may measure our national economic successes and failures in monetary units, but what we are seeking is a better life for all Americans: improved living standards and a more complete distribution of the benefits of our productive system.

ECONOMICS IS CONCERNED WITH THE ACTIVITIES OF INDIVIDUALS AND INSTITUTIONS IN PRODUCING, EXCHANGING, AND CONSUMING GOODS AND SERVICES.

Three basic questions may be answered by different means in different economies, but all societies must decide:

- What goods should be produced - shall guns or butter take precedence? Should consumption be held to a minimum to permit rapid capital growth?
- How goods should be produced - what combination of the scarce productive resources and what technological methods should be used?

- For whom should goods be produced - how will the total production be distributed among individuals or groups?

Decisions on how to answer these three basic questions have been made as follows:

- In traditional societies, where decisions may be determined by cultural patterns: primitive cultures
- In command societies, where most of the decisions are made by government planners: 17th century France, Peoples' Republic of China
- In market societies, where most of the decisions are made by the collective interaction of many buyers and sellers: United States, United Kingdom

THE BASIC PROBLEM OF SCARCITY UNDERLIES ALL ECONOMIC PROBLEMS.

Goods are anything which satisfy wants. Resources are combined in the production of want-satisfying goods, which may be:

- Free goods, indicating that resources employed in their production are so plentiful, they have no economic value
- Economic goods, indicating scarcity, or insufficient amounts to satisfy all wants

Man's wants are ever-expanding and can never be fully satisfied. Examples of the inability of man to fulfill all his desires are:

- The housewife's desire for more labor-saving appliances such as automatic dishwashers and dryers
- The family's desire for more varied leisure activities, such as boating, camping, skiing, and hobbies
- The community's desires for improved schools and roads
- The nation's desire to put a man on the moon

THE BASIC PRODUCTIVE RESOURCES OF ANY ECONOMY ARE SCARCE, PERMITTING ONLY A LIMITED AMOUNT OF PRODUCTIVE POSSIBILITIES.

Society must decide among alternate choices how its resources will be employed.

The *opportunity* or *alternative cost* of choosing a good or service is paid by the sacrifice of other desired goods or services. We can obtain one thing only by giving up the possibility of having another. This principle is illustrated by:

- The consumer's inability to buy more than a small part of the goods and services he would like to have
- Congress choosing among many requests for appropriations due to the limitations of the budget and the amount people are willing to be taxed
- Philanthropists choosing among hundreds of requests for charity
- High school graduates who choose not to go to college each year because of desire for immediate income

Evidence of scarcity in terms of quality or quantity among our productive resources includes:

- Limited labor supply: only about 1/3 of the population in the labor force

- Shortage of scientific and technological skills in the labor force
- Declining fertility of the soil in some parts of the world
- Exhaustible reserves of natural resources
- Lack of sufficient developmental capital equipment in many areas

SOCIETY SHOULD ALLOCATE ITS SCARCE RESOURCES EFFICIENTLY IN ORDER TO SATISFY AS MANY WANTS AS POSSIBLE.

To make the most economical use of productive resources, management must combine them in the most efficient amounts. Some factors which influence the relative amounts of resources used in production include:

- Prices of productive resources
- Quality of productive resources
- Ease of shifting of productive resources
- State of technology at a given time
- Ingenuity and creativeness of management in making decisions

MAN HAS LONG SOUGHT TO UNDERSTAND THE FUNCTIONING OF THE ECONOMIC PROCESSES OF HIS SOCIETY.

Moral and ethical factors exerted a strong discipline in the economic activities of the early Greek, Roman, and Medieval societies as expressed in the writings of such philosophers as Plato, Aristotle, and Aquinas.

State regulation of economic activity such as advocated under the mercantile theory sought to:

- Measure wealth in terms of precious metals
- Achieve favorable balances of payments

Starting with the Industrial Revolution, attempts were made to explain the great changes that were taking place in economic activity. Great economic thinkers included:

- Adam Smith: laissez-faire; competition; "invisible hand"; private enterprise; specialization of labor
- David Ricardo: iron law of wages
- Thomas Malthus: population pressure on resources; diminishing returns
- Karl Marx: dialectical materialism; abolition of private property; planned economy
- Thorstein Veblen: conspicuous consumption; competitive emulation
- John Maynard Keynes: explanation of business cycle; government as a regulator

A BASIC GOAL OF THE AMERICAN ECONOMY IS THE ACHIEVEMENT OF THE MOST EFFICIENT USE OF ITS PRODUCTIVE RESOURCES FOR THE MAXIMUM SATISFACTION OF HUMAN WANTS WITHIN THE FRAMEWORK OF AMERICAN POLITICAL AND SOCIAL IDEALS.

The choice of goals affects the allocation of resources which is subject to the principle of alternative (opportunity) cost.

- Resources used on national defense not available for building schools and hospitals
- Resources used for consumer goods not available for capital investment

Increased productivity through technology and greater capital investment has led the American people to expect a gradually rising standard of living. Factors contributing to this rise are:

- Automated machinery and computerized production
- Application of scientific knowledge
- Increased specialization
- Larger scale production
- Widening international trade

Additionally, advertising has played an important role in shaping consumer demand, employing resources, and affecting production and employment in many areas of the American economy.

The role of the government as the regulator of the economy, encouraging stable economic growth, has been increasingly accepted by the American people. A commitment to the achievement of maximum employment and individual security has been implemented by such devices as:

- Fiscal policy
- Monetary policy
- Passage of social legislation in the fields of labor, education, health, and social welfare
- Support for equal employment opportunity
- Passage of business regulatory legislation
- In emergencies, selective direct controls

THE LIMITED NATURE OF PRODUCTIVE RESOURCES MAKES IT IMPERATIVE THAT A SOCIETY IDENTIFY ITS ECONOMIC OBJECTIVES.

The alternative cost principle shows that a given form of production can be achieved only at the sacrifice of other forms of that activity. Production is carried on by combining resources which are classified into broad categories known as the direct factors of production.

- Land: soil, natural resources, sites of manufacturing and distribution
- Labor: all human effort employed in the productive process including managerial and technological skills, and entrepreneurial activity
- Capital: the tools of production, machinery, factories, and all produced goods used in further production

Indirect factors may include education, technology, entrepreneurship, and government.

The questions of what goods and services are to be produced and how they are to be produced must be answered through the determination of which combination of the factors of production would be the most efficient for any given society. Efficient combination of productive factors is sometimes impeded by:

- Governmental regulatory policies
- Cultural and religious folkways
- Social and historical traditions
- Lack of understanding of economic principles
- Monopoly interference with markets

MEASURES OF OUTPUT AND INCOME ARE INSTRUMENTS TO DETERMINE HOW WELL THE AMERICAN ECONOMY IS ACCOMPLISHING ITS OBJECTIVES.

The Gross National Product (GNP) is the estimated final value of all goods and services produced in the nation in one year. These goods may be purchased by consumers, government, or business.

Each product or service is computed only once, in its final form. The GNP is a measure of the:

- Total spending of individuals, governments, and businesses during a given year measured in current dollars
- Success of our economy in performing its task of satisfying human wants
- Changes in the level of business activity from one period to another
- Changes in the standard of living if per capita figures are computed

In comparing the productivity of the economy over several years the numerical values of the GNP's in current dollars must be converted to constant dollars of a base year, in order to adjust for price changes.

Related to the concept of the GNP are a number of measures of income which help economists analyze the state of economic activity. The concept of National Income (NI) can be described as:

- The sum of all incomes earned by producing goods and services
- The total of wages, interest, rents, profits, dividends
- GNP minus depreciation minus indirect business taxes

The concept of Personal Income (PI) can be described as:

- The total of wages, pensions, profits, dividends, interest, rent, and government transfer payments received by individuals
- NI plus transfer payments, minus corporate savings (undistributed profits), minus corporate income taxes, minus social security taxes

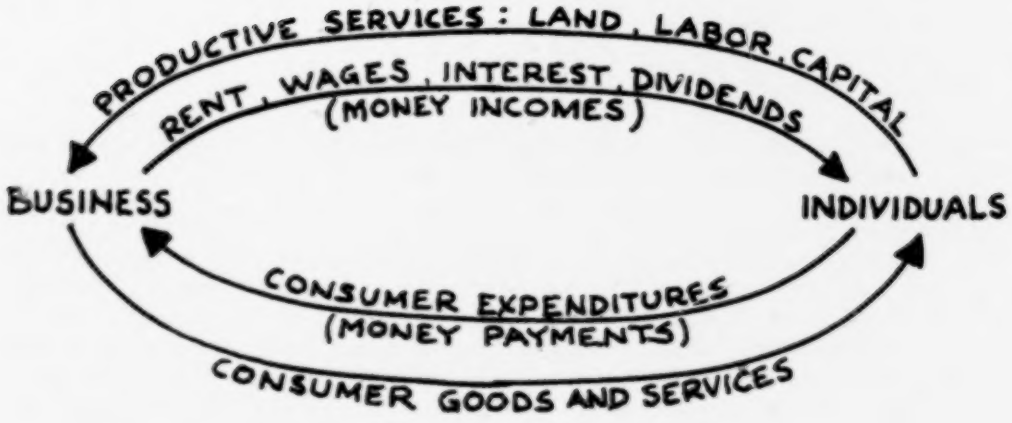
The concept of Disposable Income (DI) may be defined as:

- The total income individuals may spend or save as they see fit
- PI minus personal taxes

After saving a portion of their income, individuals spend the rest of goods and services to satisfy their wants. These are termed Personal Consumption expenditures.

The model on the following page, although simplified, may be an aid to understanding the relation of output to income:

CIRCULAR FLOW OF ECONOMIC ACTIVITY

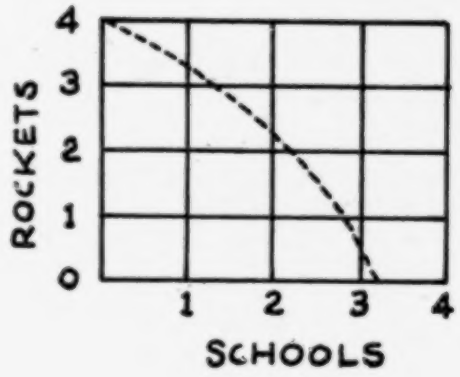


Note: Taxes and savings excluded.

OPTIONAL STUDIES

Suggested special optional studies: Life and ideas of John Maynard Keynes; Adam Smith's description of specialization in *Wealth of Nations*; Personal income in United States since 1928; Graphic analysis of production possibility curve (see illustration)

TRANSFORMATION CURVE



This production possibility curve shows the various possibilities in the use of resources to produce either schools or rockets.

GENERALIZATIONS

A few sample generalizations that might be derived from Topic I and later tested for validity in other contexts:

- Human wants are determined according to the values of each society.
- A nation's economic growth depends on its willingness to sacrifice immediate consumption for development of capital.
- Possession of abundant natural resources does not necessarily assure a high standard of living to a society.

CONCEPTS

A few sample concepts that might be introduced or deepened in Topic I:

Production	Value
Scarcity	Income
Allocation	Investment

Additional generalizations and concepts should be developed by the teacher and the class as they work on Topic I.

TOPIC II
THE MARKET SYSTEM

We now move from general consideration of the basic economic problem of scarcity faced by all societies to a specific examination of American capitalism. Our modified free enterprise system is neither universal nor unique, but it does possess features representing pragmatic compromises between the ideal and the real. There is no gainsaying that American society is one of the most prosperous, productive, materialistic, and educated in the world. This is no coincidence. American economic institutions evolved as much in response to democratic pressures for reform as to democratic ideas of what ought to be. Their strength is the result.

If there are faults in our system, no purpose is served by pretending they do not exist. This topic analyzes the private enterprise system first described by Adam Smith: admittedly it exists nowhere. But it is certainly impossible to understand the variations on a theme without first becoming familiar with the theme. Having first presented the perfectly competitive model, we move to the real world. The imperfections of the model are shown through an appraisal of American society's efforts to meet the challenge to free competition.

As the monopolist had to be dealt with in the 19th century so, too must we deal with the huge corporations and labor unions of the 20th. We can expect the countervailing forces to continue in play—our economic system is nothing if not adaptable. We see here that economics has no ready made answers for the great economic issues. What we do attempt to provide is a method of looking at problems, so that pupils can think them through for themselves, appraise the alternatives, and arrive at their own reasoned solutions.

INCOMES ARE RECEIVED IN RETURN FOR THE CONTRIBUTIONS OF PRODUCTIVE RESOURCES TO THE ECONOMY.

An individual receives money income in return for the sale of productive services. The amount each individual receives depends upon the market value of his productive services. Thus, in a market economy, the basic question, "Who shall receive the goods and services?" may be answered as follows:

- Labor rewarded by wages and salaries
- Use of land rewarded by rent
- Managerial talent and risk taking rewarded by profits
- Use of capital rewarded by interest

IN A MARKET ECONOMY PEOPLE RECEIVE INCOMES ROUGHLY IN PROPORTION TO THE VALUE WHICH THE MARKET PUTS ON THEIR CONTRIBUTIONS TO ECONOMIC PRODUCTION.

The principal determination of the value of an individual's contribution to production is made in the market by buyers and sellers. The relative value accorded to the various contributions to production is dependent upon:

- Scarcity of the productive resource

- The role of government in regulating business and redistributing income
- Demand for the productive resource in the economy as a whole

REAL INCOME IS MEASURED BY THE GOODS AND SERVICES PEOPLE CAN BUY WITH THEIR MONEY INCOMES.

The income people receive is equivalent to the share of the national output they can claim. Real income may be affected by:

- Inflation or deflation which changes the purchasing power of money incomes
- Changes in productivity

Real wages rather than money wages determine the standard of living of workers.

A TREND IN THE AMERICAN ECONOMY DURING THE 20TH CENTURY HAS BEEN A GRADUAL REDUCTION OF THE INEQUALITY OF INCOME DISTRIBUTION IN THE UNITED STATES.

The reduction of inequality may be due to the increased role of the government in redistributing income in accordance with a growing sense of economic justice. The following developments have contributed to this trend:

- Higher progressive income taxes
- Heavy inheritance taxes
- Minimum wage legislation
- Increased influence of organized labor
- Government programs to help lower income groups
- Increased educational opportunities

SIGNIFICANT DIFFERENCES OF PERSONAL INCOME STILL EXIST IN THE UNITED STATES DESPITE CONTINUED PROGRESS IN REDUCING INEQUITIES.

Some inequality of income is inherent in all market economies. Factors which contribute to inequality of incomes are:

- Holders of capital and land receive disproportionately high incomes
- Innate differences in abilities
- Differences in educational opportunities
- Ability to offer highly valued services and skills
- Physical and mental handicaps

IN A MARKET ECONOMY THE PRICE OF GOODS IS AFFECTED BY THE INTERPLAY OF SUPPLY AND DEMAND.

Demand is a schedule of quantities of a product which consumers are willing to purchase at various prices at a particular time.

Some factors that cause shifts in demand are:

- Changes in income and employment
- Changes in taste and fashion
- Buyers' future price expectations
- Changes in prices of substitute and complementary products

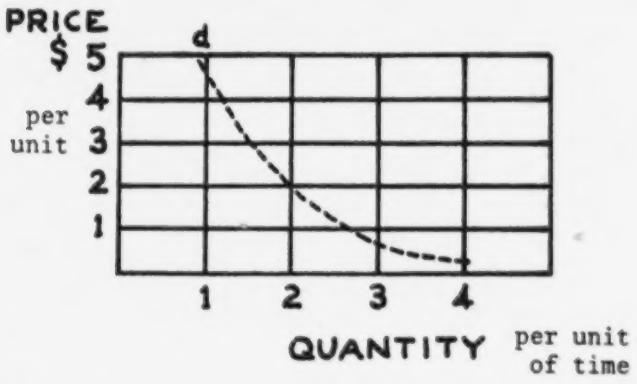
Demand for a product may be elastic, inelastic, or of unitary elasticity depending upon how a change in price affects the total revenue from the sale of the good.

Supply is a schedule of the amounts of a product made available by sellers at various prices at a particular time.

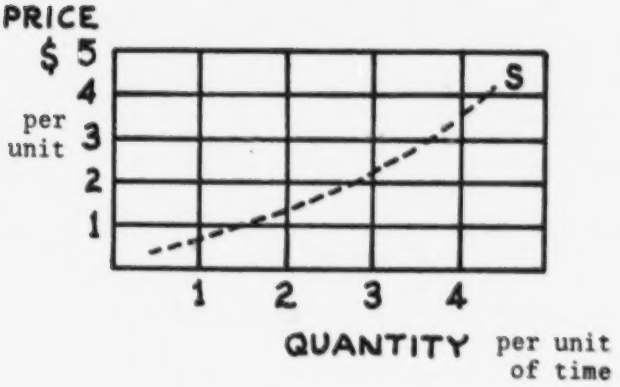
Some factors that cause shifts in supply are:
- Changes in cost of production
- Changes in technology
- Fluctuations of climate and weather
- Sellers' estimate of future markets
- Sellers' need for liquidity
- Product perishability and storage possibilities

Supply and demand schedules may be visually interpreted through representation as curves on a linear graph.

DEMAND CURVE

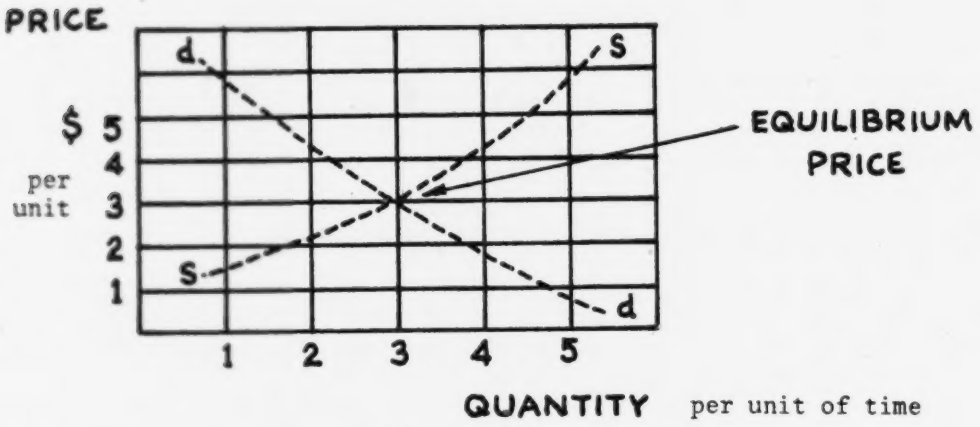


SUPPLY CURVE

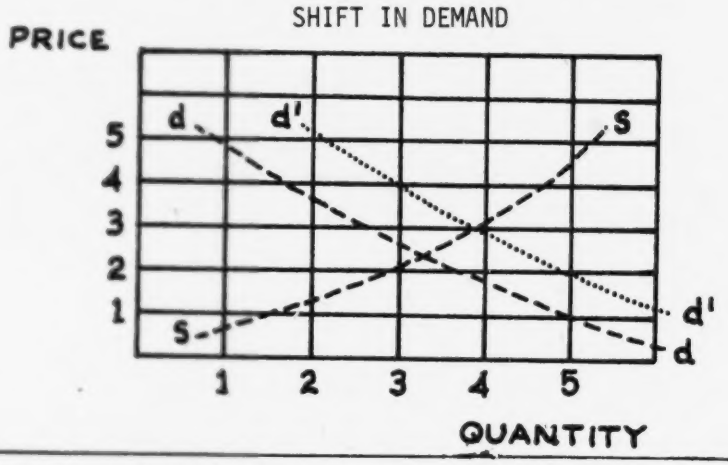


- Demand curve properties: a negative or downward slope
- Supply curve properties: a positive or upward slope

. The equilibrium price: that price at which the quantity demanded is equal to the quantity supplied
. The equilibrium price: shown at the intersection of the two curves



Shifts in supply and demand are shown by lateral movements on a graph. A shift in supply or demand represents changes in quantities that buyers are willing to purchase or suppliers are willing to sell at various prices. A shift in supply or demand does not imply an increase or decrease in quantity bought or sold as a result of changes in price, but indicates a change in intentions on the part of buyers and sellers.



A more advanced analysis of how the price system operates to provide answers to the basic economic questions might include the following understandings:

What shall be produced?

Producers respond to consumer demand with decisions which take into consideration the cost factors involved in the production of each good.

Note explanation of italicized material on p. x.

This requires decisions by business firms which involve an understanding of marginal cost, revenue, and output. In the long run, the price of a produced good must be at least equal to its marginal cost.

How shall the goods and services be produced?

Competition will force producers to attempt to maximize profits and minimize costs by adopting the most efficient productive methods. Producers will continue to employ productive factors to the point where the marginal revenue product of each factor is equal to its price.

For whom shall the goods and services be produced?

Incomes are determined by supply and demand in the productive factor markets. The market system, therefore, sets the prices on the services of land, labor, and capital, and thus determines wage rates, land rents, interest rates, and profits.

COMPETITION BETWEEN SELLERS TO ATTRACT BUYERS FOR THEIR PRODUCT AND BETWEEN BUYERS TO SECURE PRODUCTS ON THE MOST FAVORABLE TERMS IS A KEYSTONE OF THE AMERICAN PRIVATE ENTERPRISE SYSTEM.

Consumers' money demands largely determine what is produced as businessmen strive to produce those goods and services consumers want. A result of the constant struggle between sellers to attract buyers for their products are the benefits buyers receive in the form of:

- Lower prices
- Better quality
- Improved service
- Greater variety of goods

Competition benefits consumers who want to secure their goods at lowest prices. In order to make a profit at the lowest price a producer must strive for efficiency. The less efficient are either forced out of the competitive race or forced to adopt the techniques and productive methods of the more efficient. Some of the necessary characteristics of a competitive market are:

- An identical product
- A large number of buyers and sellers
- Availability of information of market conditions
- Freedom of movement of productive resources
- Freedom of entry into the market for new sellers

In the American economy competition for the consumer's dollar may take many forms which include:

- Price competition
- Improving the quality of the product
- Improving the packaging and appearance of the product for consumer appeal
- Brand name advertising

PURE COMPETITION RARELY EXISTS IN THE AMERICAN ECONOMY BECAUSE OF IMPERFECTIONS IN THE MARKET SYSTEM.

All economic decisions are not made in a competitive market by the forces of supply and demand. Prices are dependent on the type of market in which the business is operating. Some types of markets featuring competition in varying degrees are:

- Perfect competition: an identical product sold by a large number of sellers
- Monopolistic competition: a limited number of producers sell slightly differentiated products
- Oligopoly: the entire supply produced by a few large competitors
- Monopoly: the entire supply of the product controlled by one seller who sets the price

WHERE MONOPOLY EXISTS TO AN APPRECIABLE DEGREE, SOCIETY CANNOT RELY ON THE MARKET TO BRING ABOUT THE MOST EFFECTIVE ALLOCATION OF RESOURCES.

The maintenance of a monopoly situation depends upon the continued control of the market and the ability to keep possible competitors out of the market. Thus, the efficiency of a competitive economic system is impaired by the existence of monopolistic situations.

Competition may be difficult to maintain due to:

- Existence of natural monopolies in certain industries: Public utilities
- Technology making small scale production inefficient
- The existence of a large national market encouraging economic concentration and mass marketing
- Patent and copyright laws
- Fair trade laws

FUNDAMENTAL TO THE OPERATION OF A MARKET ECONOMY IS PRIVATE OWNERSHIP OF BUSINESS ENTERPRISE, WITH THE PROFIT MOTIVE AS THE UNDERLYING STIMULUS.

The central position of profits in a free enterprise economy is described in the writings of classical economic thinkers such as Smith and Ricardo who have shown that competition in the search for profits will bring about the greatest degree of productive efficiency. The role of profits is evidenced by:

- Providing the incentive for businessmen to take the risks necessary for economic growth
- Businesses reinvesting part of their income enabling further growth to take place
- Desire for a share of profits motivating millions of investors to risk their savings for a chance of future gain

With the increasing complexity of modern market systems, more efficient forms of business organizations have evolved, each form possessing certain advantages and disadvantages.

- The individual proprietorship: the simplest and most numerous form of business organization
- The partnership: a convenient arrangement for operation of relatively small businesses by a limited number of owners

- The corporation: a device enabling the efficient operation of very large business enterprises with thousands of owners and with access to great amounts of investment capital

Modern corporations have a variety of methods of raising funds for capital investment:

- Reinvestment of retained earnings: internal financing
- Bonds, debentures, and corporate borrowing which provide investors with minimum risk
- Preferred stocks, paying a fixed rate of return with high degree of security
- Common stocks, providing the greatest opportunities to share in possible profits with somewhat greater degree of risk

THE LARGE CORPORATION HAS BECOME THE DOMINANT FORM OF BUSINESS ORGANIZATION IN THE AMERICAN ECONOMY.

In their relationship with the American society as a whole, large corporations present that society with many complex problems.

- Separation of ownership and management due to widespread holdings of common stocks
- Concentration of production in the hands of a few companies in many vital industries
- Decline in influence of the small businessman
- Impersonality of employer-employee relationships
- Tendency to establishment of monopolistic practices through business consolidation of mergers
- Social changes brought about by the motivating drive for security within large institutions
- "Power without property"
- The need to create a favorable image before the public to counteract the unfavorable "robber baron" impression
- Interference in matters of public policy

In order to ensure the making of proper business decisions, firms are faced with the necessity of issuing periodic financial statements.

- The income, or profit and loss statement: a summary of the financial transactions of a firm during a given period
- The balance sheet: a statement of the overall financial condition of a firm at a particular instant of time

A PRODUCER, TO REMAIN IN A COMPETITIVE MARKET, MUST BE FAMILIAR WITH HIS COSTS OF PRODUCTION AND HIS ANTICIPATED REVENUES.

A producer's total costs consist of fixed and variable costs. To understand his unit costs requires an application of the law of diminishing returns which states: when variable factors of production are increased while other factors are held constant, a point is reached when output will not increase in proportion to the increase in variable inputs. Thus, the per unit costs will increase after the point of diminishing returns. (See chart on next page.)

LAW OF DIMINISHING RETURNS

Variable Input (man-weeks)	Total Output (motorcycles per week)	Average Output (motorcyles per man-week)	Marginal Output (additional motorcycles per man-week)
2	50	25	
			40
3	90	30	
			50
4	140	35	
			60
5	200	40	
			28
6	228	38	
			17
7	245	35	

Marginal output: amount of added return from each additional unit of input.

THE PRODUCTIVITY OF LABOR AFFECTS THE LEVEL OF LIVING OF A SOCIETY.

Productivity is the amount of goods and services each worker produces per man-hour. The productivity of labor is influenced by:

- Capital investment per worker
- Degree of skills of labor
- Degree of specialization of labor
- Efficient utilization of labor
- Efficiency of tools in the hands of labor
- Ability of labor to adjust to changes in production methods

THE LABOR FORCE HAS CHANGED IN SIZE AND COMPOSITION IN ACCORDANCE WITH THE CHANGING STRUCTURE OF OUR SOCIETY.

The size of the labor force is affected by:

- Size of population
- Working age and retirement laws
- Compulsory education laws
- Overall national economic activity
- Impact of war and other crises

There have been radical shifts in the composition of the American labor force. Shifts in labor force by occupations are affected by:

- New products
- Changing consumer tastes and values
- Technological changes in productivity
- Worker education and training
- Civil rights legislation

Shifts in labor force by sex are affected by:

- Emancipation of women from housework through labor-saving appliances
- Changes in the general attitude toward "women workers"
- Educational advances of women
- Increase in occupations in which women are adept
- Lessening of wage differentials between the sexes

Shifts in labor force by age are the result of:

- Compulsory education laws
- Longer training requirements for skilled and professional workers
- Social legislation favoring early retirement
- Mandatory retirement practices of industry

THE QUEST FOR ECONOMIC IMPROVEMENT HAS BEEN THE MAIN GOAL OF THE AMERICAN LABOR MOVEMENT.

Although labor union membership constitutes about 1/4 of the labor force, the role of unions in our economy has been significant. Labor unions have exerted pressure:

- On management for improvement in wages, working hours, and conditions through collective bargaining
- On government for improvement in wages, working hours, and conditions through legislation
- On both management and government for programs of worker's welfare, job security, and other fringe benefits

COLLECTIVE BARGAINING IS THE MEANS MOST COMMONLY USED IN SETTLING LABOR-MANAGEMENT PROBLEMS.

Key factors involved in this process are:

- Union recognition as bargaining agent
- Weapons of labor: strikes, picketing, boycotts
- Weapons of management: injunctions
- Negotiation, mediation, and arbitration
- Government legislation regulating bargaining processes

Issues currently involved in labor-management relations other than wages and hours:

- Extent of automation in relation to worker displacement
- Escalator clauses in wage contracts
- Featherbedding
- Jurisdictional disputes among unions
- Averting strikes, unauthorized shut downs
- Grievance procedures
- Seniority rights
- Closed, open, union, and agency shops

LABOR-MANAGEMENT RELATIONSHIPS INVOLVE THE PUBLIC INTEREST.

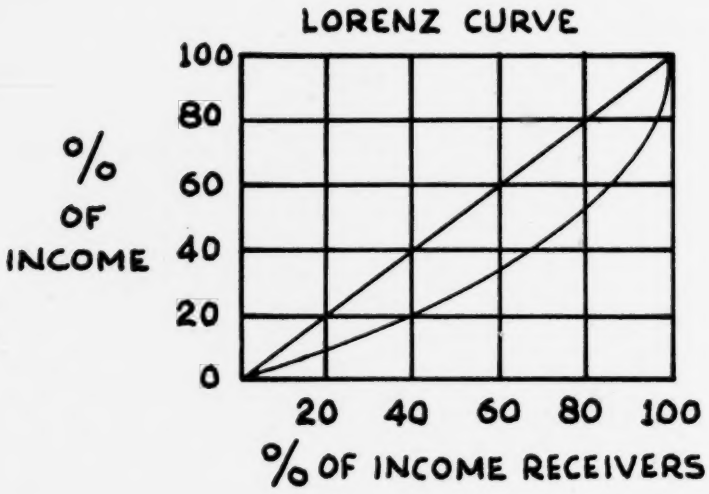
National security and the general public convenience and welfare are affected by labor-management disputes. Areas of public concern are:

- "Right-to-work" laws
- Strikes in essential industries

- Inflationary wage increases
- Racketeering and corruption in some union leadership
- Union-management collusion
- Allegations of Communist influence in labor circles
- Fair labor practices of labor and management

OPTIONAL STUDIES

Suggested special optional studies: The Dow-Jones Indexes; The issue of the Right-to-Work Laws; Income distribution in United States: see Lorenz Curve.



The 45° angle represents perfect equality in the distribution of income. The extent to which the curve bows from that line demonstrates the extent of inequality in the distribution of income.

GENERALIZATIONS

A few suggested generalizations that might be derived from Topic II and later tested for validity in other contexts:

- Economic systems become altered to meet the needs of a dynamic society.
- Exchange of goods and services takes place only if all parties feel they will benefit.
- In all modern societies, a price system functions to ration the available supply of goods and services.
- Improved technology is the key to increased productivity.

CONCEPTS

A few sample concepts that might be introduced or deepened in Topic II:

Market	Equilibrium
Competition	Collective bargaining
Productivity	Profit

Additional generalizations and concepts should be developed by the teacher and the class as they work on Topic II.

TOPIC III
THE ROLE OF GOVERNMENT

American society's efforts to mitigate the effects of market imperfections have been marked by a tremendous growth of government influence over our economic lives.

For good reasons, we call ours a mixed economy. Government today spends one out of every four American dollars. Above the din of the decision makers in this basically private enterprise economy is heard the voice of government. There remain few of the productive, distributive, and consumptive functions of our economy unaffected by government regulatory and stabilizing activities. The pervasive impact of bureaucracy is perhaps the dominant area of concern requiring decisions by American citizens today. We wonder: "How big do we want our government to be?"

Pupils will deal here with controversial and sensitive issues. Even so, this is the essence of the quest for economic literacy. The citizen who, because of failure to understand, avoids making decisions on controversial matters endangers our democratic institutions as does the citizen who makes unwise decisions out of ignorance. The society that allows its decisions to be made by the few is unlikely to remain free.

Government as a countervailing economic force is likely to be regarded as an unwanted intruder, interfering with natural laws and restricting individual freedom. However, it is not the intent of this topic to indoctrinate; value judgments are omitted. The public economy is viewed in the perspective of other current social and political trends so that pupils can see why government operates as it does, as well as how. In this topic, we accept the fact that the government plays a major role in the economy; the evaluation as to whether it should is made by the pupil.

A MODERN DILEMMA OF OUR SOCIETY IS HOW TO ENJOY THE ADVANTAGES OF LARGE-SCALE PRODUCTION WHICH BIGNESS MAKES POSSIBLE WHILE PROTECTING THE PUBLIC AGAINST ABUSES OF ECONOMIC POWER.

In the past hundred years there has been a gradually widening acceptance of the role of government as the arbiter of the rules of a competitive society. "Laissez-faire" has come to mean not that the government should do nothing, but that market decisions should be left to business within the framework of the law. It is felt that maximum benefits for all the people from our economic system can best be secured through the maintenance of competitive practices.

One response to this has been government regulation in the public interest of businesses which are considered natural monopolies. For the public utilities, government decision making has been added to the mechanism of the free market. Characteristics of these regulated industries include:

- Essential public service
- Existence of competition impractical or wasteful
- Difficulty experienced by new competitors in entering industry

Large-scale producing units tend to dominate the market. This offers new challenges to competition which may eventually lead to restrictive federal legislation. Attempts of the government to maintain competitive markets include:

- Breaking up existing business combinations which tend to restrain trade
- Attempting to prevent practices in restraint of competition
- Preventing mergers of competing firms which would dominate an industry
- Establishing guidelines of fair trade practices

Although maintenance of competition in the public interest has been the avowed purpose of government intervention in the market system, society may use controls to achieve a variety of other objectives.

DIFFERENCES BETWEEN PRIVATE AND PUBLIC INTEREST MAKE GOVERNMENT REGULATION NECESSARY FOR THE CONSERVATION OF NATURAL RESOURCES.

Government intervention in the economic system to conserve resources may be seen in:

- Efforts to eliminate waste and exploitation of natural resources
- Actions designed to stimulate or control resource development and use
- Tax concessions designed to encourage exploration for new resources
- Efforts to increase the yield and productivity of our national resources

Supervisory and remedial activities of State and Federal governments to improve natural resource use are found in the areas of:

- Forest and grassland management
- Soil conservation
- Recreation facilities
- Wildlife preservation
- Pollution control of air and waterways
- Development of water storage and power facilities
- Watershed protection and flood control

PROTECTION OF THE WORKER FROM EXPLOITATION HAS BEEN THE PURPOSE OF A CONSIDERABLE BODY OF BOTH STATE AND FEDERAL LABOR LEGISLATION.

During the 20th century, protective legislation has developed in these areas:

- Women and child labor
- Minimum wages
- Maximum hours
- Workman's compensation
- Industrial safety standards

RECENT LEGISLATION ATTEMPTS TO ESTABLISH A FAIR RELATIONSHIP BETWEEN LABOR AND MANAGEMENT WITH THE GOVERNMENT AS IMPARTIAL ARBITER IN CASES INVOLVING THE PUBLIC INTEREST.

A history of violent, often bloody clashes between labor and management, both inconvenient and costly, aroused the public to the need for a regulatory policy to protect the national interest.

Such legislation has attempted to:

- Ensure the right of workers to peaceful collective bargaining
- Declare illegal unfair management and labor tactics
- Define the scope of the weapons of both labor and management: limitations on use of the injunction
- Define the role of the government as a neutral third party in the collective bargaining process
- Increase the sanctity of the labor contract
- Make union leadership more responsive to the membership: elimination of corruption, "sweetheart contracts"
- Protect the national health and security from serious harm during labor-management disputes: 80-day "cooling-off period" provision of Taft-Hartley Act
- Define the relationship of the individual worker to the union

THE ROLE OF GOVERNMENT AS PROTECTOR OF THE CONSUMER HAS BECOME SIGNIFICANT DUE TO THE INCREASED VOLUME AND VARIETY OF GOODS AND THE INTERDEPENDENCE OF SOCIETY.

Society, acting through government, exercises some control over what is produced. Laws restrict production or sale of potentially dangerous products such as drugs and firearms. The quality of professional services is maintained by State licensing requirements. Consumer protection provided by State and Federal governments includes:

- Laws making deception or fraud through the mails a crime
- Protection by the Federal Trade Commission against fraudulent advertising
- Services of the Securities and Exchange Commission in protecting investors from dishonest or misleading sales promotion of securities
- The Food and Drug Administration's close watch over the processing and distribution of various foods, drugs, and cosmetics
- Establishment of Federal standards for labeling and grading of food products
- Safety standards for automobile manufacturers
- Work of the State Attorney General's office in detection of fraud

In addition to its regulatory activities, government also exerts a pervasive influence in our economic life through the exercise of fiscal and monetary policy.

MODERN SOCIETIES HAVE DEVELOPED MONETARY SYSTEMS TO FACILITATE THE EXCHANGE OF GOODS AND SERVICES.

In addition to serving as a medium of exchange, money also functions as:

- A measure of value
- A storehouse of wealth
- A standard for postponed payments

IN THE UNITED STATES THE TOTAL SUPPLY OF MONEY IS MADE UP OF COINS, CURRENCY, AND DEMAND DEPOSITS.

Coins and currency constitute the smallest part of our total money supply. The amount of coins and currency in circulation may vary:

- In accordance with changing price levels

- In accordance with population change
- To accommodate the increasing use of coin-operated machines
- To meet public need for cash during seasonal heavy buying or slack

The total supply of money is unaffected by an increase in the supply of currency in circulation, since the only way by which the currency supply may be increased is through the conversion of demand deposits to currency by the public.

Demand deposits constitute the most important part of our money supply. About 90% of the dollar value of all transactions is paid for by bank check.

- Money created by banks through their ability to expand deposits when they make loans or investments
- Reserves held by banks serving as a limiting factor in creation of bank deposits
- Amount of deposit money actually created depending on public's willingness to go into debt

Although commercial banks keep only a fraction of their deposits on reserve, these reserves enable the banking system to create new deposits by amounts several times the value of actual excess reserves. The Federal Reserve System, through its power to control legal reserve ratios, is able to influence the volume of bank deposits and thus the size of the United States money supply.

ELASTICITY OF MONEY SUPPLY IS RECOGNIZED AS NECESSARY FOR ECONOMIC STABILITY.

The Federal Reserve System is organized as a central banking system to establish and provide banking supervision and services for member banks. Through the use of regulatory powers, it promotes stability in our monetary system and helps facilitate a high level of economic activity.

The Federal Reserve System has at its disposal several methods to regulate the money supply:

- Change of reserve requirements
- Change of rediscount rate
- Open market operations

To counteract what may be regarded as dangerous trends toward inflation, deflation, or stagnation in our economy, the Federal Reserve System may take "leaning against the wind" actions by:

- A tight money policy to cut the availability of money by making it more costly to borrow thus checking "overheating" of business activity
- An easy money policy to encourage public and business borrowing to stimulate consumer spending and employment
- Attempts either to stem over-investment and speculation or to encourage investment by changing the margin requirements
- Attempts to exercise restraint on credit policies through moral suasion on bankers

Achieving economic stability through monetary policies may not always be sufficient or popular. Other methods, including government fiscal policy, may be necessary.

ONE OF THE IMPORTANT AREAS IN WHICH THE GOVERNMENT ACTS TO PROMOTE ECONOMIC STABILITY IS THROUGH ITS FISCAL POLICY.

Fiscal policy calls for decisions on the advisability of government deficit financing, surplus financing, or a balanced budget including Federal Government activities as regards:

- Spending policies
- Taxation and revenue policies
- Management of the national debt

The growing complexity of American society due to urbanization, technological change, and increased economic interdependence has brought about a trend toward vastly expanded governmental economic activities. Government expenditures have played an increasingly important role in the total spending of the economy since the 1930's due to:

- New Deal policies of compensatory government spending during the Great Depression
- Military expenditures during World War II which brought government spending to 50% of the national income
- Postwar foreign aid and military commitments during the 1950's and 60's
- Federal programs for aid to agriculture, education, and industry
- Expansion of publicly provided services due to increased acceptance of social welfare philosophy
- Scientific research and space programs
- Interest commitments on the national debt

Government expenditures may be financed through taxation, issuing of paper currency, or sale of interest-paying bonds. Today, taxation is the primary source of government revenue.

AMERICAN SOCIETY SEEKS TO IDENTIFY THE CRITERIA ON WHICH A SOUND SYSTEM OF TAXATION MAY BE BASED.

These criteria take into consideration elements of justice, ease of administration, revenue generating power, and the goals and values of society.

Fair taxation principles include:

- The benefit principle: the idea that those who receive the benefit of a government service ought to pay for these benefits in the form of taxes
- The sacrifice, or ability to pay principle: the idea that those with the greatest ability to pay ought to bear the heavier burden of taxation

When applying the sacrifice principle, it is necessary to understand whether the effort of a tax will be:

- Progressive: taking a larger percentage from those who earn higher incomes
- Regressive: taking a smaller percentage from those who earn higher incomes
- Proportional: taking the same percentage of the income of all taxpayers

- Direct: taxes on people which usually cannot be passed on to someone else
- Indirect: taxes on goods and services which are usually passed on

In accordance with principles of fair taxation, State, local and Federal governments usually rely on a combination of several types of taxes such as:

- Income taxes
- Estate, inheritance, and gift taxes
- Sales and excise taxes
- Property taxes
- Tariffs
- Corporate income taxes

TAXING AND SPENDING POLICIES ARE GOVERNMENT TOOLS FOR PROMOTING THE ECONOMIC OBJECTIVES OF FULL EMPLOYMENT WITHOUT INFLATION.

The Employment Act of 1946 put the responsibility on government of maintaining economic conditions which would promote maximum employment. This precedent-shattering law put the government in the position of guardian of our national economic well-being.

The increasing involvement of government as a stablizing influence was due to:

- The impact of the theories of John Maynard Keynes
- The effects of New Deal economic policies and wartime spending activities
- Postwar public demand for government action to curb inflation and halt recession
- Current economic thinking regarding government's ability to moderate economic fluctuations

ACCORDING TO MODERN ECONOMIC THEORY, FISCAL POLICY TO MODERATE FLUCTUATION IN ECONOMIC ACTIVITY WOULD PRECLUDE A MANDATORY ANNUALLY "BALANCED BUDGET."

Appropriate government actions in exercise of fiscal policy would include:

- Tax reductions and increased spending during periods of recession or depression: deficit financing
- Tax increases and reduced spending during periods of inflation and boom: surplus financing

Although some critics warn of the dangers of deficit financing, many economists feel that budgets may be balanced over a period of years, and are not greatly concerned over our mounting national debt. Some controversy exists over the desirability of using deficit financing to stimulate a desirable rate of economic growth.

ONE OF OUR CONTINUING PROBLEMS IS THE ROLE OF GOVERNMENT AS APPLIED TO AGRICULTURE.

Farmers have traditionally been placed in a special position in our economy, as a result of declining real incomes of farmers, as compared with other occupations.

- Declining prices of agricultural products relative to other prices

- Great improvements in agricultural technology causing unprecedented increases in supply
- The extent of poverty in rural areas, particularly in the South
- The disproportionate strength of farm voting blocs
- The fact that farmers produce basic human necessities
- American feelings of sentimentalism toward the independent virtues of farm life

IN RECENT YEARS, GOVERNMENT PROGRAMS TO AID FARMERS HAVE RESULTED IN LARGE SURPLUSES OF AGRICULTURAL PRODUCTS.

Agricultural assistance programs of the Federal government include:

- Research, training, and educational programs
- Crop restriction programs to raise the price of farm products through acreage allotments and quotas
- Government attempts to support parity prices through purchase or loan agreements
- Subsidies to farmers through price differential agreements

Overemployment of labor on unproductive or marginal land seems to be the fundamental cause of low income on farms. Until this basic problem is resolved, government activity in agriculture is likely to continue.

IN THE GENERAL INTEREST, THE UNITED STATES GOVERNMENT HAS SOMETIMES FOUND IT NECESSARY TO BECOME A DIRECT PRODUCER, IN LIEU OF, OR IN COMPETITION WITH, PRIVATE ENTERPRISE.

Although, in a narrow sense, this phase of government activity can be termed a trend towards "socialism," there is little evidence of any great increases in direct government production. Traditionally, the government has provided certain services such as the mails, roads, and schools. Increases in the scope of this activity are in the areas of:

- Electric power production and distribution such as TVA
- Space and communications research and development
- Atomic energy development
- Lending and financial activities such as Small Business Administration
- State and local ownership of public utilities

ALTHOUGH OUR MARKET SYSTEM IS IMPERSONAL AND MAKES NO MORAL JUDGMENTS, THE PUBLIC, THROUGH ITS SENSE OF ECONOMIC AND SOCIAL JUSTICE, ASSIGNS TO THE GOVERNMENT A LARGE ROLE AS A REDISTRIBUTOR OF INCOME.

Redistribution of income is usually brought about through a tax structure that taxes different levels of income at different rates.

Government redistributes income by providing services and facilities which low income and handicapped persons cannot provide for themselves. Such programs have included:

- Low income housing projects
- Anti-poverty programs
- Education programs
- Public recreational services
- Health and welfare programs

Redistribution is also brought about through government transfer payments such as:

- Relief and welfare payments
- Unemployment insurance payments
- Social security benefits
- Veterans bonuses and pensions
- Health and hospitalization programs

Proposals have been advanced for a guaranteed annual income and a "negative income tax" as part of a program of redistribution. However, the general problem of redistribution is subject to controversy and has resulted in the use of such terms as "welfare state" and "creeping socialism."

OPTIONAL STUDIES

Suggested special optional studies: A bank balance sheet; Social Security and Medicare; Wage-price guidelines; The soil bank program.

GENERALIZATIONS

A few suggested generalizations that might be derived from Topic III and later tested for validity in other contexts:

- As the economic interdependence of man increases, the role of government increases.
- As the role of government increases in a society, some individual rights become restricted in an effort to protect the rights of other individuals.
- An important function of government is the protection of the general economic welfare of society.
- The question of equitable tax distribution has been a cause of social unrest throughout history.

CONCEPTS

A few sample concepts that might be introduced or deepened in Topic III:

Selective controls	Parity
Transfer payments	Credit
Elasticity of money supply	Reserves

Additional generalizations and concepts should be developed by the teacher and the class as they work on Topic III.

TOPIC IV
ECONOMIC GROWTH AND STABILITY

Americans are today poised at the threshold of a new world, fraught with possibilities but troubled by the awareness that large segments of our population are neither participating in American affluence nor receiving the economic opportunities to which they are entitled as citizens.

In an assessment of our economic growth, it is an oversimplification to view unbridled growth as a goal justifying any means of attainment; growth without stability is self-contradictory. America must live with its history, but it can no longer afford the luxury of allowing the past to repeat itself; the dangers and hardships brought on by severe depression are all too clear, and cannot be tolerated in a free society. The spectre of inflation looms larger, that of unemployment hovers in the background.

This generation must learn to make the decisions that will build a world in which economic security and justice stand as cornerstones supporting our political freedoms; there is too much at stake to do otherwise.

ECONOMIC GROWTH IS A MAJOR POLICY OBJECTIVE OF THE UNITED STATES AND OF MOST COUNTRIES OF THE WORLD.

Economic growth means a progressive increase in the total output of goods and services over a period of time. It is more accurately cited in terms of real per capita output as a measure of production against population increase and inflation.

The United States is in the "age of high mass consumption" according to economist W.W. Rostow's identification of the stages of economic growth. The United States reached this point rapidly after departure from the "pre-conditions for take-off" because of:

- Our heritage of English commercial and industrial development
- Our abundant and diverse natural resources
- Availability of skilled labor
- Stability of government
- Commitment to popular education
- Wide application of technological knowledge
- Opportunities for individual enterprise unhampered by restrictive measures
- Government policies favorable to capital accumulation
- Our position as a leading "free trade" area
- Increasing farm productivity, enabling a shift of resources from agriculture to industry

Economic growth in the United States as a continuing objective is necessary if:

- The standard of living for all individuals is to be raised
- Jobs are to be available in the increasing labor force
- Public services are to be broadened

- The United States wishes to maintain a strong economic and political position in competition with other nations
- The United States wishes to continue assistance to underdeveloped nations

If economic growth is to increase, the following factors may be necessary:

- Increased educational and capital investment per worker to raise productivity
- Greater public control over the use of natural resources
- A fiscal policy to enlarge the public sector of our economy
- Increasing expenditures for research and development by government and industry
- A monetary policy to promote stability
- Elimination of economically wasteful practices such as feather-bedding, and early mandatory retirement

INFLATION MAY BE REGARDED AS AN IMPEDIMENT TO ECONOMIC GROWTH AND PROSPERITY.

Inflation is a general rise in the price level of goods and services causing a decline in the value of purchasing power of money.

Inflation may be regarded as a disrupting factor in our economy because of its impact on real income and wealth. Inflation may have these effects:

- Lessens the buying power of persons on fixed incomes
- Brings temporary inconvenience to persons whose income depends upon long-term contracts
- Brings hardship to wage earners if wages are not adjusted to price rises
- Erodes savings and pension plans
- Lessens the real wealth of creditors
- Causes public anxiety over the future

Inflation resulting from "cost-push" or "demand-pull" factors may be brought on by:

- Wartime shortages of consumer goods
- Excessive government spending programs
- Increased demand for goods brought on by rising income levels
- Wage increases above productivity increases
- Oversupply of money and credit

The danger of inflation becoming uncontrollable and developing into "galloping inflation" may cause public alarm. The degree of inflation may be measured by compiling certain price indexes such as:

- Consumer Price Index
- Wholesale Price Index

The quantity equation of exchange is a useful tool which may aid students in understanding the factors affecting the level of prices. This statement may be written

$$MV = PT$$

or, by transposition

$$P = \frac{MV}{T}$$

The meaning of this identity may be stated as follows: The total supply of money (M) multiplied by the velocity of circulation (V) is equal to the average level of prices (P) multiplied by the total volume of goods produced in one year (T).

The student is enabled to analyze each of the variables independently. For example, it may be noted that V, the rate at which money is spent, is affected by the transactions motive, the precautionary motive, and the speculative motive which in turn determine the liquidity preference. This understanding is also related to, and may aid in a further understanding of the Keynesian notion of the "propensities to save and consume."

THE AMERICAN ECONOMY HAS BEEN CHARACTERIZED BY PERIODIC FLUCTUATIONS IN LEVELS OF EMPLOYMENT, INCOME, PRODUCTION, AND PRICES.

These fluctuations, known as business cycles, appear to be inherent in a capitalist economy, and are a matter of constant concern to economists. Severe fluctuations are considered to be undesirable because of:

- Hardships suffered by individuals and families as a result of unemployment and loss of purchasing power
- Loss of production resulting from underemployment of resources
- Slowdown in economic growth resulting from loss of profit incentives for businessmen
- The peril that depression may result not merely in economic dislocation but also in political upheaval fostered by adversaries of the United States capitalist system

ECONOMIC STABILITY AS WELL AS ECONOMIC GROWTH ARE ESSENTIAL FOR THE ACHIEVEMENT OF TRUE ECONOMIC WELL BEING AND BOTH ARE MAJOR OBJECTIVES OF THE AMERICAN ECONOMY.

Although "business cycles" are not yet completely understood, there is general agreement today on some of the basic causes of economic fluctuations. For the most part, booms and depressions are the result of changes in the level of aggregate demand (C+I+G) which may be the result of changes in:

- Investment plans on the part of businessmen due to changes in future expectations
- Investment spending due to inventory accumulation
- Spending programs of government
- Savings patterns of individuals and families
- Taxation policies of government
- Public feelings of anxiety or confidence in the future
- Consumer tastes and attitudes
- Patterns of consumption
- Levels of real income
- Levels of employment
- Interest rates and availability of credit

ALTHOUGH A VARIETY OF PROGRAMS HAVE BEEN OFFERED FOR THE MAINTENANCE OF ECONOMIC STABILITY, THE CHIEF RELIANCE TODAY IS ON THE PROPER EXERCISE OF GOVERNMENT MONETARY AND FISCAL POLICY.

There seems to be little general agreement among economists and public officials as to exactly what constitutes proper monetary and fiscal policy

nor to what degree their exercise would be desirable, nor at what point they should be applied, in any given situation.

Advanced students may benefit here from a general understanding of the essentials of Keynesian analysis including aggregate demand functions Y=C+I+G, the marginal propensities to save and consume, the relationship of savings to investment, the multiplier and acceleration principles. However, for some students, this discussion is probably too abstract, and must of necessity be too brief to be of great value.

For the teacher who wishes to attempt some of the more sophisticated elements of Keynesian analysis, it may be desirable to reach some of the following understandings:

The national income in any year is determined by the levels of consumption expenditures, private net investment, and government expenditures on goods and services in that year. This may be expressed by the equation

$$Y = C + I + G$$

At any given level of income, the amount of consumption expenditures that families will want to make will generally be less than their total income. The balance will be saved. The consumption patterns of families at each income level is called the "propensity to consume."

The equilibrium level of income is determined by the point at which the schedule of planned saving equals that of planned investment.

The equilibrium level of income may also be determined by the point at which the level of planned consumption and investment expenditures are equal to the national output.

The level of investment is determined by a multiplicity of factors affecting the decisions of businessmen.

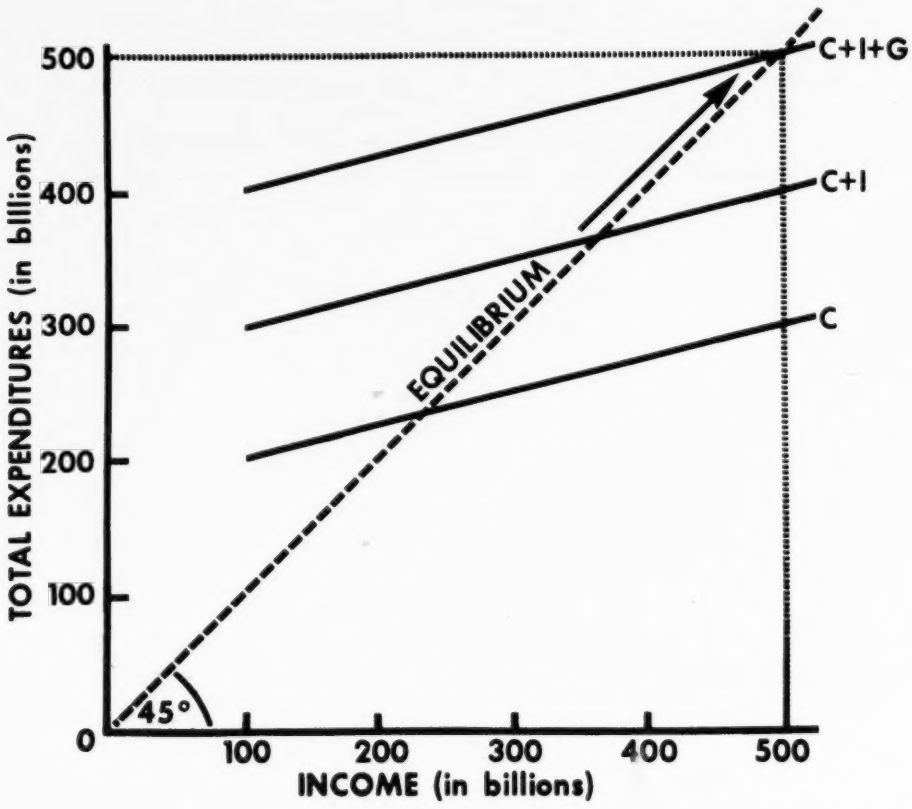
An equilibrium income level may be reached by an economy at a level of activity less than that necessary to achieve full employment.

Through the "multiplier" effect, an increase in private investment or government spending may generate an increase in income amounting to several times the original increase in spending.

In a period where a desired level of employment is not reached, government fiscal programs might be instituted to increase government expenditures without corresponding tax increases, or by decreases in tax rates without corresponding decreases in government expenditures. These programs would have the effect of shifting the C+I+G schedule upward to a higher equilibrium level of income.

Conversely, in a period of inflation due to over-employment of resources, government fiscal programs might be instituted to shift the schedule of consumption or government expenditures downward to a lower equilibrium level.

These relationships might be summarized in the following diagram:



The point at which the C+I+G *schedule intersects the 45° line determines the equilibrium level of income.*

OPTIONAL STUDIES

Suggested special optional studies: The Wall Street Panic of 1929; Built-in Stabilizers; Wage-Price Guideposts.

GENERALIZATIONS

A few sample generalizations that might be derived from Topic IV and later tested for validity in other contexts:

- Most private enterprise economies have, in the past, been afflicted with some degree of economic instability.
- In its most meaningful sense, economic growth occurs when the output of goods and services increases at a faster rate than population.
- The upper limit to an economy's output at any given time is predetermined by its stock of productive resources.

CONCEPTS

A few sample concepts that might be introduced or deepened in Topic IV:

Multiplier	Cyclical Unemployment
Recession	Automation
Inflation	Mature Economy

Additional generalizations and concepts should be developed by the teacher and the class as they work on Topic IV.

TOPIC V
THE UNITED STATES ECONOMY IN THE WORLD

International trade has serious implications for all Americans. American economic affairs are played out on a vast worldwide stage. Despite the richness of our resources, we did not arrive at, nor can we remain in our present affluence by "going it alone." Our position as a creditor with venture capital funds, expanding productive and consumptive capacity, surpluses of foodstuffs, and dollars held as reserves in other monetary systems, gives the United States an enormous thrust into the economies of most nations.

Furthermore, the worldwide revolution of rising expectations has taught us important lessons affecting our own national economic health. We have learned that improved levels of living in other societies resulting in stronger national economies may constitute a boon rather than a menace to the American economy.

But we need sources of materials. We need markets and we need to be a market. In this light, many of our own so-called domestic decisions have world impacts. A slowdown of our growth, a change in the value of our dollar, is other nations' business because it affects their economic well-being. It is this interaction of national economies that pupils must understand.

THE THEORY OF COMPARATIVE ADVANTAGE SHOWS THAT IF ALL NATIONS SPECIALIZE IN THOSE PRODUCTS IN WHICH THEY HAVE THE GREATEST RELATIVE PRODUCTIVE EFFICIENCY, TRADE WILL BE MUTUALLY BENEFICIAL.

Trade will tend to raise real incomes in all areas participating. Each region will concentrate on producing those things which require larger quantities of their most abundant and therefore cheapest productive resources. A region will profit most by importing those goods in the production of which they are relatively least efficient. The American economy has had comparative advantages in the production of:

- Certain agricultural products, particularly staple crops such as wheat and tobacco
- Machines and mechanical equipment whose production requires skilled manpower and capital investment: heavy equipment, automobiles, airplanes

The United States finds it advantageous to import large quantities of:

- Certain strategic raw materials not supplied adequately by domestic producers
- Products produced with large quantities of hand labor
- Products which can be produced without large amounts of capital investment

DESPITE THE BENEFITS OF INTERNATIONAL TRADE, THE UNITED STATES AND THE OTHER COUNTRIES OF THE WORLD ERECT ARTIFICIAL BARRIERS TO OBSTRUCT THE FREE MOVEMENT OF GOODS AND SERVICES AMONG NATIONS.

The most familiar type of trade restriction is the tariff, which offers domestic producers, whose international competitive position is weak, a

measure of protection. Tariffs may be levied for revenue or for protection of domestic producers. Historically, arguments for protective tariffs have included:

- Promotion of economic development of "infant industries"
- Protection of American workers and producers from competition with "low-wage" foreign labor
- Maintenance of a favorable balance of trade
- Maintenance of employment levels in industries threatened by foreign competition
- Assurance of supplies of strategic materials and skilled manpower for national defense

Economists regard tariff reduction as a desirable step in raising living standards throughout the world. A gradual reduction of tariffs rather than sudden abolition of all tariffs is recommended to facilitate readjustment.

In addition to the advantages of national specialization, arguments for reduction of American tariffs have been advanced to:

- Provide a greater variety of goods and services at lower cost
- Allow foreign countries to earn the dollars necessary for purchase of American goods
- Strengthen the economy of friendly nations
- Increase the economic interdependence of nations thus providing a deterrent to war

Other barriers to freer world trade include:

- Quotas limiting the importation of specific goods
- Exchange controls limiting the amount of currency available to importers
- Licensing restrictions
- Embargoes on the importation and exportation of certain goods

THE UNITED STATES AND OTHER NATIONS HAVE BEEN INCREASINGLY COMMITTED TO A POLICY OF FURTHERING INTERNATIONAL TRADE.

Various plans have been introduced to increase cooperation among nations in attempting to reduce political and financial barriers. These include the formation of international organizations such as:

- International Trade Organization
- General Agreement on Tariff and Trade
- European Common Market
- European Free Trade Association
- International Monetary Fund

THE ABILITY TO EXCHANGE ONE NATION'S CURRENCY FOR ANOTHER IS INDISPENSIBLE TO THE CARRYING ON OF INTERNATIONAL TRADE.

The rate of foreign exchange is the price of a unit of one country's currency in terms of another currency. The rate of exchange may be determined by:

- The forces of supply and demand under freely fluctuating mechanisms
- The ratio of the gold content of currencies which are convertible to gold at fixed rates

A NATION WHOSE BALANCE OF PAYMENTS SUFFERS A CONTINUING DEFICIT RISKS A POSSIBLE LOSS OF FOREIGN CONFIDENCE IN ITS CURRENCY.

The balance of payments is the summary of all of the international transactions of a nation during a given period. Items included in the balance of payments are:

- Balance of trade: goods and services imported and exported
- Tourist expenditures
- Private remittances
- Private investment abroad
- United States foreign aid
- Military expenditures overseas
- Income from foreign investments
- Gold flows and capital movements

Although the United States has long experienced favorable balances of trade, in recent years it has been faced with continuing balance of payments deficits. This has been due in large measure to:

- Increased military expenditures overseas
- Large outflows of capital for private investment abroad
- Continuing United States foreign aid commitments

If allowed to continue unchecked, these deficits might cause:

- Further drains on United States gold reserves
- Weakening of the international position of the dollar
- Disruption in world trade because many other nations hold dollars as reserves to stabilize their own currencies
- The necessity for devaluation of the American dollar

Devaluation, a lowering of the value of a country's currency in relation to its gold content, might have the following consequences for the United States:

- An increase in exports
- A decrease in imports
- Simultaneous devaluation of other currencies
- An inflationary rise in prices
- Panic on the world's money markets
- Conversion of foreign dollar holdings to gold

Possible steps which might be taken by the United States to help solve her balance of payments problems include:

- Restriction of American tourist spending
- Cutbacks in foreign aid
- Attempts to raise domestic interest rates
- Restrictions on American investments in foreign countries
- Cuts in foreign military spending
- Raises in tariffs

Each of the above measures might have results undesirable or unfavorable in the light of the political, social, or economic objectives of the American people at the particular time proposed.

WITH THE BREAKING UP OF THE 19TH CENTURY COLONIAL EMPIRES AFTER WORLD WAR II, THE UNDERDEVELOPED NATIONS HAVE COME INTO THE FOCUS OF ATTENTION AS THEY SEEK TO BECOME STABLE, 20TH CENTURY ENTITIES.

One of the greatest difficulties facing the new nations is the development of diversified production and increased productivity. Capital formation from savings when per capita income is very low, is virtually impossible. In this light, the United States has made extensive loans and gifts to, and investments in, developing nations.

Factors accounting for the existence of underdeveloped economies include:

- Colonial exploitation of the past
- Discouragement of industrialization by early mercantilist policies of colonial governments
- Illiteracy and lack of training in skills
- Lack of administrative and managerial training
- Pressure of overpopulation
- Low income which prevented savings and capital formation
- Little experience in decision making on part of native leaders
- Little participation in political and economic matters among population
- Lack of national identification
- Stratified society lacking a large entrepreneurial class
- High incidence of disease and malnutrition

Among the reasons the United States has given extensive aid to underdeveloped nations are:

- A sense of social and economic justice and altruism
- Large surpluses of some products glutting domestic and world trade markets
- American capital seeking new and profitable investments
- Belief that persistent poverty in a large part of the world might lead to international strife
- Realization that poverty in a large part of the world could be a deterrent to our own economic growth
- Possibility of profitable United States trade with more highly developed nations
- A weapon in the "cold war" to contain communism
- A means of exporting our political and economic ideals

Among American citizens and legislators, aid to underdeveloped nations has become controversial because it has been related to:

- Our persistent imbalance of international payments
- Ineffectiveness in producing hoped-for support from recipients
- "Dollar diplomacy"
- Our annual national budget deficit and "tax-bite"
- Deferment of domestic needs
- The "socialistic" state: if recipient uses aid in public sector of its economy

OPTIONAL STUDIES

Suggested special optional studies: The theory of Comparative Advantage; The International Monetary Fund and The International Bank for Reconstruction and Development; The Alliance for Progress.

GENERALIZATIONS

A few suggested generalizations that might be derived from Topic V and later tested for validity in other contexts:

- Elimination of barriers to international trade will enable specialization and exchange to increase the world standard of living.
- A country imports those items which it does not or cannot economically produce or for which there is a unique demand.
- Developed nations tend to become increasingly concerned with the economic growth of developing nations and to provide various forms of assistance to encourage it.

CONCEPTS

A few concepts that might be introduced or deepened in Topic V:

Invisible Items of Trade	Devaluation
Specialization	Developing Economy
Foreign Exchange	Protectionism

Additional generalizations and concepts should be developed by the teacher and the class as they work on Topic V.

TOPIC VI
COMPARATIVE ECONOMIC SYSTEMS

It is no longer satisfactory for advocates of rival economic systems to stand around an economic problem and engage in name calling, each hoping that the others would destroy themselves because of their bad seed.

Whatever the slogans, whatever the parades and banners and cryptic barbs, the fact remains that sooner or later the voices of millions of people, regardless of ideology will be heard to cry for the bread, the cloth, and the roof. It is inexorable that the purity of every ideology must be tempered by reality.

In our zeal to defend our own system, we may be prone to overlook the similarities which do exist in other systems. There are, to be sure, philosophic tenets behind each system; the "To each according to his contribution" of laissez faire and the "to each according to his needs" of communism; the structural differences; the "invisible hand" vs the visible hand of the planners; and finally the synthesis as each system matures. These are all brought into focus in this topic.

It is assumed that pupils, in previous social studies courses, have studied some of the ideological and political differences among the systems. In this topic, the stress is placed quite narrowly on the economic factors, and the topic placed last in the syllabus so that the pupil, having developed economic thought patterns and tools of analysis, can apply them to other systems.

The methods of studying by contrasts encourages the pupil to evaluate the alternative systems and in the process he may understand his own system better. Probing into the systems can assume great depth but only by adhering to the economic concepts does it become manageable within the time-frame of this course.

DIFFERENT ECONOMIC SYSTEMS ARE DIFFERENT APPROACHES TO THE SAME BASIC ECONOMIC PROBLEMS OF WHAT, HOW AND FOR WHOM THE SCARCE RESOURCES SHOULD BE ALLOCATED.

Because every economic system is in a state of flux and because each system may have variations within its ideological framework, there is no definitive identification of policies to fit all circumstances at all times. Each system, however, possesses some general identifying features that may be cited. Capitalism may be identified by:

- Private ownership of productive resources
- A price system primarily dependent upon supply and demand
- Profit motivation
- Government economic policies responsive to public opinion

Communism may be identified by:

- Centralized planning of production
- Controlled government allocation of resources
- Government dictated price and wage structure
- State ownership of productive resources

Socialism may be broadly identified by:

- Evolutionary process of enlarging public production and distribution of goods and services
- Strong government regulation of private enterprise
- Democratic participation in economic policy making

Despite the differences, all systems seek the common objectives of:

- Economic growth and stability
- Efficient resource allocation
- High standard of living
- Full employment
- Strong international economic position

In deciding the economic question of what to produce, major differences exist in method and structure:

- Capitalism: public decides through market system by "consumer votes" in satisfying its needs and wants; producers respond to public demands
- Communism: central planning committees decide what shall be produced, the needs of the state being primary, consumer needs secondary
- Socialism: some private decisions are made with varying degrees of government ownership and regulation

In deciding the economic questions of how and how much shall be produced, some major differences are:

- Capitalism: aside from some regulatory restraints on business structure and practice, business free to develop the most efficient production and distribution method; demand and price determining quantity produced; profit incentive
- Communism: central planning under priority system; plant manager usually given production quota; state approved quality and design of goods; state managed prices
- Socialism: extensive government regulation of private business practices; nationalization of some industries; stress on public welfare

In deciding the economic question of for whom shall goods be produced, some differences are:

- Capitalism: income derived from negotiable wages; profits from sales; earnings from investments; some redistribution to meet public needs through progressive taxes and transfer payments; spending and saving discretionary
- Communism: some deviation from original egalitarian distribution of wealth; wage differentials and incentives; plant managers rewarded for efficiency or penalized for failure in meeting of production quotas; state provided services such as medical treatment, vacation accomodations and subsidized housing; selected occupations, scientists, artists, rewarded with higher benefits; limited availability of many consumer goods
- Socialism: dedicated to equality in access to goods; wages may be bargained for; some goods and services available through government distribution; extensive social welfare programs

Teachers should note that in certain communist economies there has been a recent increasing response to consumer desires for greater shares of the national production and tendencies toward more decentralized planning.

OPTIONAL STUDIES

Suggested special optional studies: Organization of a collective farm; Swedish cooperatives; Establishing and financing of Comsat.

GENERALIZATIONS

A few suggested generalizations that might be derived from Topic VI and later tested for validity in other contexts:

- Despite professed ideologies, most economic systems tend to evolve toward a mixed economy.
- Uncommitted nations will tend to choose the economic system which offers opportunities.
- Economic systems cannot be defined in terms of rigid and unchanging classifications.

CONCEPTS

A few sample concepts that might be introduced or deepened in Topic VI:

Incentives	Nationalization
Private property	Central planning
Collectivism	Price system

Additional generalizations and concepts should be developed by the teacher and the class as they work on Topic VI.